



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

MORGAN HILL
FINANCE AND AUDIT COMMITTEE

Morgan Hill Civic Center
Administration Conference Room
17555 Peak Avenue
Morgan Hill, California

Chair
Committee Member
City Treasurer
Staff: City Manager
Finance Director
Budget Manager

Larry Carr
Steve Tate
Mike Roorda
Ed Tewes
Jack Dilles
Chu Thai

REGULAR MEETING

Wednesday, June 19, 2002

MINUTES

6:00 P.M.

CALL TO ORDER

Chair Carr & Commission Members Tate & Roorda; *Staff:* Dilles & Thai

DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

PUBLIC COMMENTS

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

BUSINESS:

1. Approval of minutes for May 15, 2002.

The minutes for May 15, 2002 were approved.

2. Investment Policy Update

Staff presented a brief report concerning the proposed revisions to the Investment Policy for the City and the Investment Policy for the Redevelopment Agency. Staff indicated that the only changes to the existing policies were to update for current dates, revise the list of brokers with which the City and Agency are doing business, reflect the current limit for investments with the State of California Local Agency Investment Fund (LAIF) as \$40 million per account, and make grammatical corrections to the certification that brokers must sign in order to work with the City or Agency. Chair Carr inquired as to whether the City makes socially responsive investments. Staff responded that, in general, investments under the Investment Policy allow very few types of investments and restrict investments to very safe investments in federal securities, LAIF, and certificates of deposit, although the City has not recently invested in certificates of deposit. However, staff did indicate that the Redevelopment Agency's economic development and housing programs, grants, and loans represent positive investments in the community. Staff was directed to agendize for further discussion socially responsive investments and investing in certificates of deposit.

3. Proposed Fiscal Policies

Staff initiated a discussion concerning proposed fiscal policies as they relate to the proposed 2002/03 budget. The Committee agreed to first focus the discussion on the budget itself. The issue of a proposed \$262,000 excess of appropriations over estimated revenues for the General Fund was discussed. Concerns were raised regarding the appropriateness of adopting a deficit budget. Other concerns raised included the fact that the 2001/02 increased by some \$600,000 over the course of 2001/02 and that this might happen again, and regarding the State's fiscal crisis which might lead to the State taking more funds away from local governments. Staff indicated that the General Fund has very healthy reserves of more than \$10 million and that reserves are there to cover times like this when an economic downturn occurs. The City Manager indicated that staff plans to produce a running scorecard during the year concerning the use of contingencies to address the concern about increases to the budget during the budget year. The Committee agreed to direct staff to prepare a report from the Committee to the City Council recommending the following:

- 1) Direct staff to provide a periodic clear analysis and running total for the budget.*
- 2) Direct the City Manager and staff to manage the budget and do better than what is proposed in the 2002/03 budget and to thereby save up to the \$262,000 deficit proposed in the budget.*
- 3) Direct the Committee to oversee this process.*

In addition, the Committee asked staff to add more information to the monthly Financial & Investment reports to show both the original and revised budget.

Staff then began to talk about proposed fiscal policies related to the budget. Chair Carr indicated he likes the idea of efficiencies between departments; for instance: loaning out funds with good paybacks, as administered in Philadelphia. Due to time constraints, this item was continued to the next Committee meeting.

4. Fee Analysis and status Report Concerning:

- a) Development Impact Fees and Sewer & Water Connection Fees**
- b) Community Development Processing and Other User Fees**
- c) Sewer & Water User Fees**

Due to time constraints, this item was not discussed.

5. Financial and Investment Report for May 2002

Due to time constraints, this item was not discussed.

6. Future Agenda Items

None

ADJOURNMENT

NOTICE

AMERICANS WITH DISABILITY ACT (ADA)

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City.

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